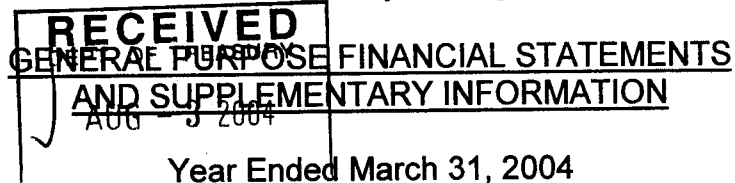


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TOWNSHIP OF CUSTER
Mason County, Michigan

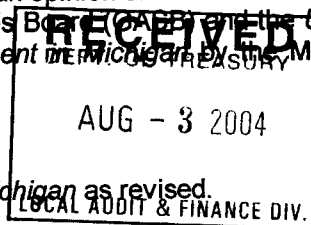


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Custer	County Mason
Audit Date March 31, 2004	Opinion Date July 13, 2004	Date Accountant Report Submitted to State: July 13, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF CUSTER
Mason County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 13, 2004

To the Township Board
Township of Custer
Mason County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Custer, Mason County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Custer's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Custer, Mason County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its trust fund for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Custer, Mason County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u> Trust and Agency	<u>Total (Memorandum Only)</u>
	<u>General</u>		
<u>Assets</u>			
Cash in bank	61 381 78	64 248 27	125 630 05
Taxes receivable	4 136 63	-	4 136 63
Due from other funds	<u>171 69</u>	<u>-</u>	<u>171 69</u>
Total Assets	<u>65 690 10</u>	<u>64 248 27</u>	<u>129 938 37</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	<u>-</u>	<u>171 69</u>	<u>171 69</u>
Total liabilities	<u>-</u>	<u>171 69</u>	<u>171 69</u>
Fund equity:			
Fund balances:			
Reserved for cemetery care	-	64 076 58	64 076 58
Unreserved:			
Undesignated	<u>65 690 10</u>	<u>-</u>	<u>65 690 10</u>
Total fund equity	<u>65 690 10</u>	<u>64 076 58</u>	<u>129 766 68</u>
Total Liabilities and Fund Equity	<u>65 690 10</u>	<u>64 248 27</u>	<u>129 938 37</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B
Page 1

Year Ended March 31, 2004

	<u>Governmental Fund Type</u>
	<u>General</u>
Revenues:	
Property taxes	25 259 03
State revenue sharing	69 876 00
Charges for services – fees:	
Property tax administration	8 005 35
Cemetery	1 050 00
Interest	682 48
Miscellaneous	<u>9 903 35</u>
Total revenues	<u>114 776 21</u>
Expenditures:	
Legislative:	
Township Board	3 576 00
General government:	
Supervisor	5 480 38
Assessor	10 908 36
Clerk	5 932 85
Board of Review	541 48
Treasurer	10 821 44
Building and grounds	1 200 00
Cemetery	12 193 54
Unallocated	6 139 30
Public safety:	
Fire protection	7 965 05
Public works:	
Highways and streets	71 274 93
Culture and recreation:	
Parks and recreation	<u>1 195 00</u>
Total expenditures	<u>137 228 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Type</u>
	<u>General</u>
Excess (deficiency) of revenues over expenditures	<u>(22 452 12)</u>
Other financing sources (uses): Operating transfers in	<u>1 922 19</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(20 529 93)
Fund balance, April 1	<u>86 220 03</u>
Fund Balance, March 31	<u><u>65 690 10</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Property taxes	24 000 00	25 259 03	1 259 03
State revenue sharing	58 000 00	69 876 00	11 876 00
Charges for services:			
Property tax administration	4 000 00	8 005 35	4 005 35
Cemetery	2 000 00	1 050 00	(950 00)
Interest	2 500 00	682 48	(1 817 52)
Miscellaneous	<u>4 290 00</u>	<u>9 903 35</u>	<u>5 613 35</u>
Total revenues	<u>94 790 00</u>	<u>114 776 21</u>	<u>19 986 21</u>
Expenditures:			
Legislative:			
Township Board	3 954 00	3 576 00	(378 00)
General government:			
Supervisor	5 635 00	5 480 38	(154 62)
Assessor	11 794 00	10 908 36	(885 64)
Clerk	6 648 00	5 932 85	(715 15)
Board of Review	896 00	541 48	(354 52)
Treasurer	8 442 00	10 821 44	2 379 44
Building and grounds	1 200 00	1 200 00	-
Cemetery	5 500 00	12 193 54	6 693 54
Unallocated	10 100 00	6 139 30	(3 960 70)
Public safety:			
Fire protection	10 500 00	7 965 05	(2 534 95)
Public works:			
Highways and streets	68 750 00	71 274 93	2 524 93
Culture and recreation:			
Parks and recreation	17 500 00	1 195 00	(16 305 00)
Contingency	<u>5 000 00</u>	<u>-</u>	<u>(5 000 00)</u>
Total expenditures	<u>155 919 00</u>	<u>137 228 33</u>	<u>(18 690 67)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Excess (deficiency) of revenues over expenditures	<u>(61 129 00)</u>	<u>(22 452 12)</u>	<u>38 676 88</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>1 922 19</u>	<u>1 922 19</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(61 129 00)</u>	<u>(20 529 93)</u>	<u>40 599 07</u>
Fund balance, April 1	<u>61 129 00</u>	<u>86 220 03</u>	<u>25 091 03</u>
Fund Balance, March 31	<u>-</u>	<u>65 690 10</u>	<u>65 690 10</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE – CEMETERY PERPETUAL CARE FUND

Year Ended March 31, 2004

EXHIBIT D

Revenues:	
Perpetual care	450 00
Interest	<u>1 927 20</u>
Total revenues	<u>2 377 20</u>
Transfers to General Fund	<u>1 922 19</u>
Net income	455 01
Fund balance, April 1	<u>63 621 57</u>
Fund Balance, March 31	<u><u>64 076 58</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINED STATEMENT OF CASH FLOWS –
CEMETERY PERPETUAL CARE FUND
Year Ended March 31, 2004

EXHIBIT E

Cash flows from operating activities:	
Other operating revenues	<u>450 00</u>
Net cash provided (used) for operating activities	<u>450 00</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(1 922 19)</u>
Net cash provided (used) for noncapital financing activities	<u>(1 922 19)</u>
Cash flows from investing activities:	
Interest income	<u>1 927 20</u>
Net cash provided (used) for investing activities	<u>1 927 20</u>
Net increase (decrease) in cash and cash equivalents	455 01
Cash and cash equivalents, April 1	<u>63 621 57</u>
Cash and Cash Equivalents, March 31	<u>64 076 58</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income	<u>450 00</u>
Net Cash Provided (Used) for Operating Activities	<u>450 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Custer, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Custer. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others. The Cemetery Perpetual Care Fund is reserved for cemetery maintenance.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9497 mills. The taxable value was \$26,628,782.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not maintained the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>125 630 05</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 339 39
Uninsured and Uncollateralized	<u>25 273 09</u>
Total Deposits	<u>125 612 48</u>

The Township of Custer did not have any investments as of March 31, 2004.

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>171 69</u>	Current Tax Collection	<u>171 69</u>

Note 4 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$1,080.00.

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 6 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Cemetery Perpetual	
General	<u>1 922 19</u>	Care	<u>1 922 19</u>
Total	<u>1 922 19</u>	Total	<u>1 922 19</u>

Note 8 – Building Permits

The Township of Custer does not issue building permits. Building permits are issued by the County of Mason.

Note 9 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund:			
Activity:			
Treasurer	8 442 00	10 821 44	2 379 44
Cemetery	5 500 00	12 193 54	6 693 54
Highways and streets	68 750 00	71 274 93	2 524 93

TOWNSHIP OF CUSTER
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF CUSTER
Mason County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUND TYPES

March 31, 2004

EXHIBIT F

	<u>Current Tax Collection</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>171 69</u>	<u>64 076 58</u>	<u>64 248 27</u>
Total Assets	<u>171 69</u>	<u>64 076 58</u>	<u>64 248 27</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>171 69</u>	<u>-</u>	<u>171 69</u>
Total liabilities	<u>171 69</u>	<u>-</u>	<u>171 69</u>
Fund balances:			
Reserved for cemetery care	<u>-</u>	<u>64 076 58</u>	<u>64 076 58</u>
Total Liabilities and Fund Balances	<u>171 69</u>	<u>64 076 58</u>	<u>64 248 27</u>

TOWNSHIP OF CUSTER
Mason County, Michigan

STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – CURRENT TAX COLLECTION FUND

Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>203 25</u>	<u>761 472 65</u>	<u>761 504 21</u>	<u>171 69</u>
<u>Liabilities</u>				
Due to other funds	203 25	30 847 20	30 878 76	171 69
Due to others	<u>-</u>	<u>730 625 45</u>	<u>730 625 45</u>	<u>-</u>
Total Liabilities	<u>203 25</u>	<u>761 472 65</u>	<u>761 504 21</u>	<u>171 69</u>

TOWNSHIP OF CUSTER
Mason County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT H
Page 1

Township Board:

Wages	3 450 00
Pension	126 00
	<u>3 576 00</u>

Supervisor:

Salary	5 200 00
Pension	213 00
Miscellaneous	67 38
	<u>5 480 38</u>

Assessor:

Contracted services	8 593 56
Miscellaneous	2 314 80
	<u>10 908 36</u>

Clerk:

Salary	5 200 00
Pension	312 00
Miscellaneous	420 85
	<u>5 932 85</u>

Board of Review:

Wages	340 00
Miscellaneous	201 48
	<u>541 48</u>

Treasurer:

Salary	6 450 00
Pension	387 00
Miscellaneous	3 984 44
	<u>10 821 44</u>

Building and grounds:

Rent	<u>1 200 00</u>
------	-----------------

Cemetery:

Contracted services	3 540 00
Miscellaneous	8 653 54
	<u>12 193 54</u>

TOWNSHIP OF CUSTER
Mason County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT H
Page 2

Unallocated:

Dues	567 48
Insurance	2 853 00
Clean up	2 340 00
Payroll tax	308 82
Education	70 00
	<u>6 139 30</u>

Fire protection:

Contracted services	<u>7 965 05</u>
---------------------	-----------------

Highways and streets:

Contracted services	<u>71 274 93</u>
---------------------	------------------

Parks and recreation

	<u>1 195 00</u>
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Total Expenditures

	<u><u>137 228 33</u></u>
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CAMPBELL, KUSTERER & CO., P.C.

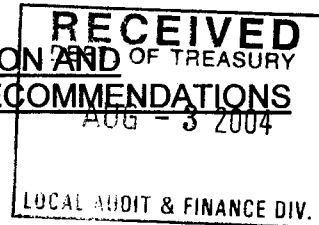
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 13, 2004

To the Township Board
Township of Custer
Mason County, Michigan

We have audited the financial statements of the Township of Custer, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Custer in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Custer
Mason County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Custer
Mason County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Custer will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants